Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 04328 120557Z

15
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
---------- 078900
R 111352Z SEP 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 6196
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY DOHA
AMEMBASSY JIDDA

C O N F I D E N T I A L KUWAIT 4328

EXDIS

E.O. 11652: GDS
TAGS: EFIN, EAID, EG, KU
SUBJECT: ASSISTANCE TO EGYPT - GODE

REF: (A) KUWAIT 4298, (B) STATE 175356, (C) CAIRO 9710,
(D) CAIRO 11298, (E) KUWAIT 3158.

1. I MET WITH FINANCE MINISTER AL-ATEEQY SEPT 9 TO REVIEW STATUS GODE AGREEMENT (WHICH HE CLAIMS IS BEST TRANSLATED FROM ARABIC AS GULF AUTHORITY FOR DEVELOPMENT IN EGYPT). ATEEQY CONFIRMED THAT FUND WOULD TOTAL $2 BILLION OF WHICH $800 MILLION WAS BEING CONTRIBUTED BY SAUDI ARABIA, $700 MILLION BY KUWAIT, $350 MILLION BY ABU DHABI, AND $150 MILLION BY QATAR.

2. I NOTED THAT, ACCORDING TO MY INFORMATION, MOST OF THIS MONEY WAS TO BE DEDICATED TO PROJECTS AND OBSERVED THAT THERE HAD SEEMED TO BE MORE THAN ENOUGH MONEY AVAILABLE TO EGYPT FOR PROJECTS WHEN I WAS THERE, BUT THAT REAL NEED WAS TO COVER BALANCE OF PAYMENTS DEFICIT. ATEEQY REACTED AS EXPECTED (REF A) AND ASKED WHY, IF US INTEREST WAS SO GREAT IN THIS MATTER - HE RECALLED RECEIVING A LETTER FROM SECRETARY SIMON JUST BEFORE BEGINNING OF CAIRO GODE DISCUSSIONS (REF B) - USG DID NOT CONTRIBUTE MORE THAT THE $1.2 BILLION IN AID THE EGYPTIANS TOLD HIM ABOUT. I EXPLAINED TO HIM THAT OUR INTEREST LAY IN SEEKING PROGRESS TOWARD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUWAIT 04328 120557Z

A PEACEFUL SOLUTION OF THE ARAB-ISRAELI PROBLEM AND THAT THE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

POLITICAL AND ECONOMIC STABILITY OF THE PRESENT REGIME IN EGYPT WAS ESSENTIAL IN THIS CONNECTION. ATEEQY AGREED AND SAID THAT THIS WAS WHAT CONCERNED KUWAIT AND THE OTHER GODE MEMBERS. HOWEVER, THEY COULD NOT CONTINUE GOING ON FINANCING EGYPTIAN BALANCE OF PAYMENTS DEFICITS EVERY YEAR - KUWAIT HAD PROVIDED $2 1/2 BILLION SINCE 1973. HE IMPLIED THIS WAS LIKE POURING MONEY DOWN A RATHOLE.

3. I RECALLED THAT ATEEQY HIMSELF HAD BEEN QUOTED IN THE PRESS AS SAYING THAT ONE OF THE PURPOSES OF GODE WOULD BE "TO ARRANGE CREDIT FACILITIES TO CONSOLIDATE BALANCE OF PAYMENTS REQUIREMENTS EITHER THROUGH GODE OR JOINTLY WITH OTHER FINANCIAL INSTITUTIONS" (REF C). ATEEQY CONCEDED HE WAS QUOTED CORRECTLY, AND, WHEN QUERIED FURTHER, STATED THAT GODE WAS THINKING IN TERMS OF MAK-ING $500 MILLION OF THE TOTAL FUND AVAILABLE OVER A 5 YEAR PERIOD FOR EGYPTIAN USE AS GUARANTEE IN ARRANGING LOANS TO MEET BALANCE OF PAYMENT DEFICITS. IF GOE CHOSE, SAY, TO USE $250 MILLION THIS YEAR, THERE WOULD BE ONLY $250 MILLION AVAILABLE FOR REMAINDER OF 5 YEAR PERIOD. HE ALSO ALLOWED THAT, IF THERE WERE REAL URGENCY, WHOLE $500 MILLION COULD BE USED.

4. IN REPLY TO MY QUESTION WHETHER EGYPT COULD EXPECT TO OBTAIN DIRECT BILATERAL ASSISTANCE FROM GODE MEMBERS ADDITIONAL TO FUND, ATEEQY THOUGHT THIS UNLIKELY. HE NOTED, HOWEVER, THAT EGYPT CONTINUED TO RECEIVE KHARTOUM CONTRIBUTIONS FROM KUWAIT AND SAUDI ARABIA WHICH TOGETHER TOTALLED 95 MILLION POUNDS STERLING ANNUALLY.

5. I NOTED, THAT, FROM MY EXPERIENCE IN EGYPT, PROJECTS FOR WHICH FUND APPEARED DESIGNED, SEEMED RATHER DIFFICULT TO ORGANIZE. ATEEQY AGREED AND ATTRIBUTED THIS TO LACK OF WILLINGNESS ON PART OF GOE TO APPROVE PROJECTS UNLESS IT COULD MAINTAIN CONTROL OVER THEM. HE CONCEDED THAT SADAT SUPPORTED "OPEN DOOR" POLICY, BUT STATED THAT THERE WERE CERTAIN "SUPERPOWERS" (ATEEQY'S WORD) IN THE EGYPTIAN ADMINISTRATION WHO WANTED TO CONTROL EVERYTHING. HE CITED, AS PRINCIPAL CULPRIT, OSMAN AHMED OSMAN, WHO WAS SUPPORTED BY CERTAIN MINISTRIES IN HIS EFFORT TO CONTROL ALL DEVELOPMENT IN EGYPT. MOREOVER, THERE WERE OTHERS LOWER DOWN IN THE BUREAUOCRACY WHO, FOR REASONS OF CORRUPTION OR OPPOSITION TO SADAT'S POLICY, ALSO IMPEDED PROGRESS ON PROJECTS. ATEEQY CLAIMED THAT KUWAIT SHOULD HAVE ALREADY INVESTED AT LEAST $1 1/2
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUWAIT 04328 120557Z

BILLION IN EGYPT INSTEAD OF CURRENT NEGLIGIBLE SUM.

6. COMMENT: MY UNDERSTANDING OF ATEEQY'S REMARKS CONCERNING BALANCE OF PAYMENTS SUPPORT AND LOAN GUARANTEES TO BE PROVIDED BY GODE FUND IS THAT, CONTRARY TO REF D, THESE WOULD DIMINISH PROPORTIONATELY AVAILABILITY OF TOTAL CAPITALIZATION OF FUND. ATEEQY SEEMED TO REFLECT DETERMINATION OF GODE COUNTRIES TO FORCE RATIONALIZATION OF GOE ECONOMY OR, AT LEAST, TO ENCOURAGE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

GOE TO RELEASE ITS TIGHT CONTROL AND TRULY OPEN ITS DOORS TO OUTSIDE INVESTMENT. WHETHER GODE COUNTRIES CAN HOLD TO THIS DETERMINED COURSE REMAINS TO BE SEEN, BUT ATEEQY WILL CERTAINLY TRY INSOFAR AS KUWAIT IS CONCERNED. HIS POSITION SEEMS TO HAVE HARDENED WITH RESPECT TO ADDITIONAL DIRECT BILATERAL ASSISTANCE TO EGYPT (PARA 4 ABOVE) FROM HIS POSITION REPORTED IN REF E.
MAESTRONE

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, DIPLOMATIC DISCUSSIONS, FINANCIAL CONTRIBUTIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUWAIT04328
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760344-0200
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760970/aaaachyk.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 76 KUWAIT 4298, 76 STATE 175356, 76 CAIRO 9710, 76 CAIRO 11298, 76 KUWAIT 3158
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2004 by ellisoob>; APPROVED <06 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ASSISTANCE TO EGYPT - GODE
TAGS: EFIN, EAID, EG, KU, XF, GODE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006